MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2015/2016

DMG5038 – MANAGEMENT ACCOUNTING

(For Diploma Students Only)

01 MARCH 2016
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 5 pages with 4 Questions only.
2. Answer **ALL** questions. All questions carry equal marks.
3. Please write your answers in the Answer Booklet provided.

QUESTION 1

Part A

The Badrul Law Office has the following monthly telephone records and costs:

Calls	Costs
2,000	RM 2,400
1,500	2,000
2,200	2,600
2,500	2,800
2,300	2,700
1,700	2,200

Required:

Identify the fixed and variable cost elements using the high-low method. (9 marks)

Part B

Erika, Inc. makes student book bags that sell for RM20 each. For the coming year, management expects fixed costs to be RM225,000. Variable costs are RM15 per unit.

Required:

(a) Compute break-even sales in RM using the mathematical equation. (2 marks)

(b) Compute break-even sales using the contribution margin ratio. (2 marks)

(c) Compute margin of safety ratio assuming actual sales are RM1,200,000. (2 marks)

(d) Compute the sales required to earn net income of RM150,000, using the mathematical equation. (2 marks)

Part C

Required:

(a) Distinguish between variable and fixed costs. (2 marks)

(b) Explain the concept of mixed costs. (2 marks)

(c) Explain the significance of the relevant range. (2 marks)

(d) Define margin of safety. (2 marks)

[TOTAL 25 MARKS]

Continued.....

QUESTION 2

Part A

Lee Industries is preparing its master budget for year ended 31 December 2015. Relevant data pertaining to its sales budget are as follows:

Sales for the year are expected to total 8,000,000 units. Quarterly sales are 25%, 30%, 15%, and 30%, respectively. The sales price is expected to be RM2.00 per unit for the first quarter and then be increased to RM2.20 per unit in the second quarter.

Required:

Prepare a sales budget for of Lee Industries for year 2015 (7 marks)

Part B

Sherry Company combines its operating expenses for budget purposes in a selling and administrative expense budget. For the first quarter of 2015, the following data are developed:

1. Sales: 20,000 units; unit selling price: RM30
2. Variable costs per dollar of sales:

Sales commissions	6%
Delivery expense	2%
Advertising	4%

3. Fixed costs per quarter:

Sales salaries	RM24,000
Office salaries	19,000
Depreciation	6,000
Insurance	2,000
Utilities	1,000

Required:

Prepare a selling and administrative expense budget for the first quarter of 2015.

(5 marks)

Continued.....

Part C

Jebat Solution is preparing its direct labor budget for 2015 from the following production budget based on a calendar year.

Quarter	Units
1	20,000
2	25,000
3	35,000
4	30,000

Each unit required 1.5 hours of direct labor.

Required:

Prepare a direct labor budget for 2015. Wage rates are expected to be RM16 for the first two quarters and RM18 for quarters 3 and 4.

(11 marks)

Part D

Explain the principal sections of a cash budget. (2 marks)

[TOTAL 25 MARKS]

QUESTION 3

Part A

Harry Company has developed the following standard costs for its product for 2014:

HARRY COMPANY

Standard Cost Card

Product A

Cost Element	Standard Quantity	×	Standard Price	=	Standard Cost
Direct materials	4 kilograms		RM3		RM12
Direct labor	3 hours		8		24
Manufacturing overhead	3 hours		4		12
					RM48

Continued.....

The company expected to produce 30,000 units of Product A in 2015 and work 90,000 direct labor hours.

Actual results for 2015 are as follows:

- 31,000 units of Product A were produced.
- Actual direct labor costs were RM746,200 for 91,000 direct labor hours worked.
- Actual direct materials purchased and used during the year cost RM346,500 for 126,000 kilograms.
- Actual variable overhead incurred was RM155,000 and actual fixed overhead incurred was RM205,000.

Required:

Compute the following variances showing all computations to support your answers. Indicate whether the variances are favorable or unfavorable.

(a) Materials quantity variance. (4 marks)

(b) Total direct labor variance. (4 marks)

(c) Direct labor quantity variance. (3 marks)

(d) Direct materials price variance. (3 marks)

(e) Total overhead variance. (5 marks)

Part B

Standard costing is the practice of substituting an expected cost for an actual cost in the accounting records, and then periodically recording variances showing the difference between the expected and actual costs.

Required:

Identify the **SIX (6)** advantages of standard costs. (6 marks)

[TOTAL 25 MARKS]

QUESTION 4

Suria Bikes could sell its bicycles to retailers either assembled or unassembled. The cost of an unassembled bike is as follows.

Direct materials	RM150
Direct labor	70
Variable overhead (70% of direct labor)	49
Fixed overhead (30% of direct labor)	21
Manufacturing cost per unit	RM290

The unassembled bikes are sold to retailers at RM450 each.

Suria Bikes currently has unused productive capacity that is expected to continue indefinitely; management has concluded that some of this capacity can be used to assemble the bikes and sell them at RM495 each. Assembling the bikes will increase direct materials by RM5 per bike, and direct labor by RM10 per bike. Additional variable overhead will be incurred at the normal rates, but there will be no additional fixed overhead as a result of assembling the bikes.

Required:

(a) Prepare an incremental analysis for the sell-or-process-further decision. (24 marks)

(b) Should Suria Bikes sell or process further? Explain. (1 mark)

[TOTAL 25 MARKS]

[GRAND TOTAL 100 MARKS]

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